

Message Text

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PAGE 01 COPENH 05347 071022Z
ACTION EUR-12

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INFO AMEMBASSY BONN
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AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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PASS AGRICULTURE

USEEC ALSO FOR EMBASSY

E.O.: 11652: N/A
TAGS: EAGR, DA, EEC
SUBJ: GREEN KRONE DEVALUATION

SUMMARY: DANISH GOVERNMENT AND FARM CIRCLES ARE EXCEEDINGLY
DISAPPOINTED THAT DECISION ON GREEN KRONE DEVALUATION HAS BEEN
POSTPONED UNTIL EXTRAORDINARY EC AGMIN COUNCIL MEETING SEPTEMBER
13. DANISH FARMERS UNION PRESIDENT TOLD AMBASSADOR DEAN LAST
THURSDAY THAT DANES HAD CONSIDERED DEVALUATION A MERE PROCEDURAL
FORMALITY AND HE REGRETTED BRITISH AND FRENCH HAD RAISED MATTER
TO POLITICAL LEVEL TO FURTHER OWN INTERESTS IN PIGMEAT SECTOR.

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IF GREEN KRONE IS DEVALUED BY SAME PERCENTAGE AS RECENT 5 PER-
CENT OFFICIAL KRONE DEVALUATION AGAINST SNAKE CURRENCIES, ANNUAL
NET FARM EXPORT EARNINGS WILL INCREASE BY ABOUT 500 MILLION KRONER
(\$81 MILLION).
ACCORDING TO FARM PRESS, EC COMMISSION HAS UNDER-
TAKEN NOT TO LEVY MONETARY COMPENSATORY AMOUNTS (MCA'S) ON DANISH
FARM EXPORTS PRIOR

TO SEPTEMBER 13 MEETING, END SUMMARY.

1. IMMEDIATELY FOLLOWING 5 PERCENT DANISH KRONE DEVALUATION VIS-A-VIS OTHER SNAKE CURRENCIES ON AUGUST 28, DENMARK APPLIED TO THE EC COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) FOR A CORRESPONDING DEVALUATION OF THE GREEN KRONE. IN RECENT MEETING, DANISH FARMERS UNION PRESIDENT KJELDSSEN TOLD THE AMBASSADOR THAT THEY HAD EXPECTED THIS TO BE AUTOMATIC PROCEDURE, AS WAS CASE ON TWO PREVIOUS OCCASIONS DURING PAST YEAR, AND IN FACT SUPPORT HAD BEEN ASSURED BY OTHER SNAKE PARTNERS AND EC COMMISSION IN CONJUNCTION WITH OFFICIAL KRONE DEVALUATION. INITIAL REJECTION BY BRITISH AND FRENCH HAD COME AS GREAT SURPRISE AND DISAPPOINTMENT TO DANISH GOVERNMENT AND IMPORTANT FARM SECTOR.

2. ALTHOUGH KJELDSSEN THOUGHT INITIAL OPPOSITION WAS ONLY TEMPORARY HITCH, HE REGRETTED THAT BRITISH AND FRENCH HAD UTILIZED OPPORTUNITY TO PUSH THEIR LONG-STANDING DEMAND FOR CHANGING BASIS ON WHICH PIGMEAT MCA'S ARE CALCULATED. (UK/FRENCH PROPOSAL WOULD MEAN CONSIDERABLE CUT IN MCA'S PAID ON DANISH BACON EXPORTS TO UK AND WOULD THEREBY INCREASE BRITISH HOR PRODUCERS' COMPETITIVENESS.) BRITISH OPPOSITION TO GREEN KRONE DEVALUATION IS CONSIDERED INCOMPATIBLE WITH EARLIER UK CLAIMS THAT CHANGES IN GREEN CURRENCY RATES ARE PURELY NATIONAL DECISIONS.

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3. GREEN KRONE DEVALUATION OF 5 PERCENT WOULD INCREASE NET FOREIGN EXCHANGE EARNINGS ON ANNUAL BASIS BY ABOUT 500 MILLION KRONER (\$81 MILLION) AFTER DEDUCTING HIGHER COSTS OF IMPORTED FEED, FERTILIZER AND MACHINERY FOR THE FARM SECTOR. CONSUMER FOOD PRICES WOULD RISE AN AVERAGE ONE PERCENT BUT INCREASES WOULD ONLY APPLY IN CASES WHERE MARKET PRICES FOR BASIC PRODUCTS ARE AT INTERVENTION LEVELS (DAIRY PRODUCTS, BEEF AND BREAD).

4. IF GREEN RATE IS NOT DEVALUED AND MCA'S ARE INTRODUCED IN DANISH FARM TRADE, LEVIES ON FARM EXPORTS FOR PAYMENT INTO THE EC AGRICULTURAL FUND FEOGA WILL AMOUNT TO ABOUT 750 MILLION KRONER (\$120 MILLION) ANNUALLY. THE EC COMMISSION, ACCORDING TO THE LOCAL FARM PRESS, HAS UNDERTAKEN NOT TO INITIATE MCA'S IN DANISH FARM TRADE PRIOR TO THE SEPTEMBER 13 MEETING OF THE EC AGMIN COUNCIL. IF AGREEMENT IS NOT REACHED THEN, OTHER POSSIBILITIES FOR ACCEPTANCE OF GREEN KRONE DEVALUATION ARE AT THE FOREIGN MINISTER COUNCIL MEETING SEPTEMBER 19 AND AT THE AGMIN COUNCIL SESSION SEPTEMBER 26-27.
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